



## ASX ANNOUNCEMENT

8 November 2021  
ASX Code: MYL

### BOARD OF DIRECTORS

Mr John Lamb  
Executive Chairman, CEO

Mr Rowan Caren  
Executive Director

Mr Jeff Moore  
Executive Director

Mr Paul Arndt  
Non-Executive Director

Mr Andrew Teo  
Non-Executive Director

### ISSUED CAPITAL

Shares	190 m.
Unlisted Options	5 m.

### Mallee Resources Limited

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# CHAIRMAN'S LETTER TO SHAREHOLDERS

In accordance with ASX Listing Rule 3.17.1, Myanmar Metals Limited ("**MYL**" or "**the Company**") provides a copy of a Chairman's Letter which is to be distributed to shareholders directly.

Authorised for release to the ASX by

A handwritten signature in black ink that reads "John Lamb".

**John Lamb**

Executive Chairman and CEO

8 November 2021

Dear Shareholder,

It is now over a month since our transformational General Meeting on September 24<sup>th</sup> and I am writing to provide you with an update and some commentary prior to the Annual General Meeting (AGM) at the end of this month.

Mallee Resources is now official, and you should have received your new holding statement(s) from the share registry. As you know, our assets are now cash and receivables (being payments receivable from Win Myint Mo) totaling approximately A\$50 million and we have no debt, so the asset backing of your company that should be reflected in the market were the stock not suspended is approximately A\$50 million.

Regarding payment under our agreement with WMM to acquire our interest in Bawdwin, I am happy to report that, as at the date of this letter, US\$14.7M (87%) of funds payable to us via Singapore have been received, with the remaining \$2M expected in the next few weeks. Agreements pertaining to the balance of all funds due, being US\$13.1 million payable in Myanmar, have now been stamped by the Department of Internal Revenue but funds transfer has not yet begun. It is likely to be a slow process as banking controls in Myanmar are changing regularly while the government works to stabilize the economy. I will provide more information as it comes to hand, but it is pleasing to have banked close to half of the total with more on the way.

Our attention has, in large part, been on finding a new project for MYL. As I have previously noted, we are looking to deploy our cash and our excellent team on an asset or assets that represent good value for money and offer a good return for effort spent on the ground. Our strengths cover exploration through to operation, so we would prefer a project that has a line of sight to production while offering exploration upside. And as I've said in the past, our process involves finding the asset first, and then deciding if we can live with any associated challenges such as a jurisdiction. Thanks to our nimble and businesslike team, we are quick and decisive, choosing to take only the most promising opportunities through to full Due Diligence (DD).

We have been focusing on off-market opportunities, or those that are “quietly” for sale, where our team and cash can yield a return when applied to a vendor’s mineral asset(s). The ability to do this is our competitive advantage, and for this reason, I won’t be naming specific projects that we have assessed or are assessing. Instead, I will provide some statistics to give you an idea of the volume of work we are doing and provide a few details on the ones we have rejected already (without naming them) so that you can form a view on the quality of asset that we seek:

We have considered well over 100 opportunities so far. Of those, 48 have been assessed by the team at our regular review meetings. Each project has a champion who promotes it to the team and is tasked with keeping in touch with the vendor. Of the 48, 12 have progressed to data review under a Confidentiality Agreement (CA). At this stage I usually commence commercial discussions as there is no point progressing

further with our DD if a mutually acceptable deal cannot be done. Of the 12, we have rejected 6, have a further 6 still under review.

I have seen companies fritter away their cash and time doing too much detailed technical DD at too early a stage, and so we are careful to reserve our “deep dives” for the most promising waterholes. But for those that look promising, we turn over all of the stones we can to make sure that not only the asset, but also other stakeholders, the vendor, and the proposed commercial arrangement, are all sound. So far, we have rejected 2 promising projects where the vendor’s asking price was too high for the resource quality and risk on offer. A further promising project was rejected on permitting risk, combined with community and traditional owner expectations. We have also rejected numerous opportunities that didn’t make the cut, for example where the asset quality was insufficient to offset the jurisdiction risk or where we discovered fatal flaws in our screening process.

More projects arrive at the front gate each day, and several of those currently under CA and being reviewed at the second stage, are likely to go forward to full DD in the next two weeks. I am very confident that our team will be able to find a project that shareholders will be happy to own. Finding that project, and getting full value for our cash, is the single most important task before us. I need the team focused on delivery and happy to do whatever is needed to get us there. With Australia’s domestic and international borders gradually re-opening, our site-based due diligence processes can extend beyond state borders.

This brings me to the proposed incentive scheme that is included in the AGM for shareholders to approve. Firstly, it is important to note the scheme is modest (equating to 1.5% of issued capital if all performance rights to be offered vest) and it is designed to retain our talent and keep it focused on the delivery of a quality project for the company.

It is important that cash reserves are maintained to be focused on project due diligence, acquisition, development and working capital. Equally, it is critical that the company retains its core staff and their high level of commitment, initiative and diligence at a time when our competitors are paying more.

An effective way of incentivising the work force without eroding cash reserves is to maintain existing levels of remuneration but to provide incentives in the form of PRs.

Under the scheme our team will only be rewarded if MYL’s cash is spent well enough that the company is ahead of cash-backing once the acquisition is made. All staff are included in the incentive scheme, although shareholders only vote on the incentive for directors. At this time of high labour demand and increased salary packages in the mining industry, it is instructive to note that MYL staff, including directors, have not had a market review or salary increase beyond CPI, since 2018. The only incentive plan that the initial directors have participated in related to the rescue four years ago of Top End Minerals from likely insolvency and the resurrection of the Bawdwin deal. The Board is strongly of the view that the team needs to be kept together and focused, with an incentive designed to reward a successful acquisition.

We have defined success, and therefore set the hurdle for vesting, as a project that sees MYL’s market capitalization improve upon the company’s \$50 million cash-backing by 20% (\$10 million) in the month following return to trading. In other words, we need to turn \$50 million into \$60 million by buying well. Moreover, finding the right project sets us up to build back shareholder value through exploration and development, leveraging both our team and cash.

The scheme that we have designed is fit for purpose, it is modest, and it fairly balances the need for shareholder success with the need for incentives to drive performance and staff retention. I encourage shareholders to consider the proposal, understand our reasoning, and to reach the same conclusion as the Board: we need to do this, and we need to do it now. Please support the resolution with a "FOR" vote at the AGM.

As you would expect, I am planning for success. Once the deal is done and the new asset is on the books, our focus turns to executing our usual process of exploration, resource extension and upgrade, and project development studies. My expectation during that time is for share price growth as our milestones are achieved and results are released. I would like to see our \$50 million acquisition doubled or tripled in value through that work.

But we need to get to the start line first, and that is our focus for the foreseeable future. I trust that our team, with your support, can pull us through this crisis in our company's history and steer us into a new, brighter, future.

With my warmest regards,



John Lamb  
Chairman and CEO

